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Delivering on Commitments


# The Budget Speech 2005



The Honourable Ralph Goodale, P.C., M.P.  
Minister of Finance

February 23, 2005

Canada 



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Delivering on Commitments

# The Budget Speech 2005



Department of Finance  
Canada

Ministère des Finances  
Canada



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## CHECK AGAINST DELIVERY

Mr. Speaker, let me begin by expressing my appreciation to all those who have helped in the preparation of this 2005 federal budget—from the many organizations and professional groups that presented expert briefs, to Canadians from every corner of the country who submitted individual letters and ideas.

Their contributions, their counsel and their concerns have helped shape the budget I am tabling today. I would also like to thank the Members of this House—from all sides—who have provided their advice and insights. In particular, I want to acknowledge the vigorous representations of a number of government Caucus Committees and the specific input of Opposition Finance Critics—the Honourable Members for Medicine Hat, Saint-Hyacinthe-Bagot and Winnipeg North.

### **The Ability to Make a Difference**

Recent events have reminded all of us of the increasingly interconnected world in which we live. Just two months ago, people in Ukraine launched a peaceful but profound “orange revolution.” They demonstrated for democratic reform, and then cast their ballots in a genuinely free election on December 26th.

Our former Prime Minister, the Right Honourable John Turner, led more than 500 Canadians who volunteered to help ensure that the process was ultimately fair and lawful. All of us—including thousands of Ukrainian Canadians—are proud of the role Canada was able to play at a crucial moment in the life of that great nation, half a world away.

Sadly, the same day Ukrainians went to the polls, our attention was wrenched from the celebration of democracy to the tragedy of the tsunami in South Asia.

On that day, as one eyewitness described it, “the sea stood up and walked to earth.”

With every passing hour and every passing day, the list of casualties grew, the extent of the damage increased and the enormity of the tragedy became painfully better known.

In its aftermath, Canadians responded with remarkable generosity. And in their actions, we saw the character of our country. Young children going door to door in their neighbourhoods. Canadians from every province and territory making donations large and small to support people they do not know in places they might never see.

Relief organizations and faith-based groups mobilized resources and translated noble intentions into practical help on the ground. We applaud all the volunteers, in all those agencies, who, in doing so much good abroad, honoured the values we cherish here at home.

In this budget, Canada's comprehensive \$425-million assistance package for tsunami relief is confirmed as promised—as Canadians would fully expect.

In the first two months of this year, Canada has also assisted in the conduct of difficult elections in Iraq and among the Palestinians. We have continued our humanitarian engagements in places like Haiti and across Africa. We have helped to keep the peace in Afghanistan and Kosovo. We have provided the poorest countries of the world with greater debt relief and the resources to eradicate polio.

Actions that make a difference. Actions that reflect Canadian values at work globally.

All these international events of recent weeks remind us not only that we are all *connected*, in this world, but that we also have *responsibilities* in this world. For Canada, it is clear we have a special role to play and a unique contribution to make. But we also know that we can only play that role abroad if we are strong and secure at home.

That is why, last summer, we set out an ambitious agenda for Canada's future—to maintain our unparalleled fiscal success, to invest in our people, to achieve a more productive and environmentally sustainable economy, and to bolster Canada's role in global affairs.

That agenda was carefully paced for implementation over the coming five-year period, knowing (as Canadians fully understand) that not every ambition can be fully satisfied in a single year. But at every opportunity, Canadians will expect us to take major steps to deliver on our commitments. And that's exactly what this budget does!

For the sake of completeness and transparency, and given that many of the Government's newest and largest program obligations (like those enshrined in federal-provincial and territorial agreements) represent commitments of five years or longer, the framework for this budget is in fact five years, rather than the usual two.



## Sound Financial Management

Delivering on our commitments begins with an unrelenting dedication to sound financial management—to balanced budgets or better, year after year.

This is not just good economic management, it's good common sense. It creates the discipline of pay as you go, not spend as you like. It ensures that the decisions we make today do not become the debts our children will have to bear.

In that spirit, I am pleased to announce that for 2004–05 Canada will record its eighth consecutive balanced budget. This is the longest unbroken string of surpluses since Confederation. And we expect it to continue.

To keep the federal books solidly in the black, we will continue to set aside an annual Contingency Reserve of \$3 billion. And we will continue to build a transparent measure of further economic prudence into our budget planning.

If the extra prudence proves to be unneeded in any given year to keep us in balance, it will be invested in the programs and services which Canadians have identified as their priorities. If the Contingency Reserve is not needed to deal with unforeseen events, it will be used to reduce debt.

Debt reduction is not something we do to please the economists. It is something we do to benefit Canadians. Reducing debt, in a reasonable and measured way, relieves a big burden on future generations. It saves billions of dollars in servicing charges. It facilitates a Triple-A credit rating, lower interest rates and rising standards of living. It enables Canada to prepare for the inevitable pressures of an aging population.

And most importantly, it is something that the vast majority of Canadians believe is the right thing to do.

That is why, since first balancing the budget in 1997–98, we have reduced federal debt by more than \$60 billion, resulting in savings to Canadians of more than \$3 billion annually. It's not a one- or two-year gain. It's a real dollar benefit every year going forward.

A commitment to sound financial management is never easy—and it is never over. It is not something to be done once—or just for a while—and then set aside. It requires the steady, unrelenting application of rigorous discipline and vigilance—at the macro level of balancing our government books overall, and at the day-to-day micro level in how programs and services get delivered.

To further this objective, the Government of Canada created a Cabinet Committee on Expenditure Review (ERC). Its objective was to make sure that every dollar spent is a dollar well spent, with a focus on the contemporary needs of today and tomorrow, not locked into the patterns of yesterday.

Under the able direction of my colleague, the Minister of National Revenue, the Committee has scrutinized every line of government spending. Its goal was to find \$12 billion in existing spending to be reallocated from lower to higher priorities over the coming five years. I am pleased to announce today that our ERC process has already identified nearly \$11 billion of such savings—savings which are incorporated in this budget. Every penny will be reinvested in core federal programs and services that truly matter to Canadians.

And while all departments of government have participated in this effort—and I thank them all—allow me to single out the people in the Department of Public Works and Government Services for their ERC work. They rose to the challenge and made an exceptional contribution to the success of this exercise. I applaud their innovation and their professionalism.

Expenditure review has delivered results. Now we must ensure that it becomes part of the very core and culture of government. For this job to be well done, it must be done continuously. We will, therefore, make expenditure review an ongoing, evergreen element of good governance.

## **Economic and Fiscal Forecast**

Let me turn now to an overview of the Canadian economy.

As we enter 2005, Canada finds itself in an enviable position, with an economic record that is, quite simply, unmatched in the world-leading Group of Seven (G-7) economies. Among that group, since we balanced the budget in 1997, Canada has achieved the best debt-to-GDP (gross domestic product) ratio; the best job creation record; the fastest growth in living standards; and according to the Organisation for Economic Co-operation and Development, we are the only G-7 nation expected to be in surplus in both 2005 and 2006.

This performance, this record of achievement, tells us that we are on the right path and following the right policies. But our goal is not to accumulate statistical bragging rights. Our goal is to use the fruits of our success to sow the seeds of future achievement—to employ the dividends of fiscal and economic strength to keep on building a world-leading society with an enviable quality of life for all.



This is the essence of the commitment we made to Canadians in the June 2004 election.

In 2004, our economy continued to grow at a solid pace. Looking ahead, in establishing the Government's economic projections for the coming years, we have again consulted with leading economists and forecasters from the private sector. Based on those consultations, the average private sector forecast for real growth in 2005 is 2.9 per cent.

For next year, 2006, the average private sector forecast is for growth of 3.1 per cent.

This expected growth, and our unwavering commitment to balanced budgets or better, means that Canada will remain in a positive fiscal position.

Our continuing economic success is certainly encouraging. But that success has also brought its own challenges, including a much higher Canadian dollar. To date, Canadian companies have done an outstanding job of adjusting to the rise in the value of our currency. However, there is no doubt that further adjustment will be required, especially in light of the speed at which currency rates have changed.

Canada is a trading nation and 85 per cent of our exports go to the United States.

The so-called "twin" U.S. budget and current account deficits remain the principal risk to our economic and fiscal forecasts over the medium term. The American situation could lead to higher interest rates, slower U.S. growth and a further depreciation in the American dollar—any of which could negatively affect us here in Canada.

As we look down the road, we must be conscious of those risks, but not be paralyzed by them. Rather, we must plan accordingly and continue to keep ourselves in a position of fiscal strength, the better to handle the risks, should they arise.

## **Delivering on Our Commitments**

So, with consistently balanced budgets, steadily declining debt, low and stable rates of inflation and interest, a Triple-A credit rating, the best fiscal record since 1867 and the best fiscal performance in the G-7—this government will deliver!

On health care and Equalization. On cities and communities. On children and seniors. The disabled and their caregivers. Aboriginals. The environment. The Armed Forces and Canada's place in the world. This government will deliver.

## **Health Care and Equalization**

We started early. Last September, we concluded a unanimous, long-term \$41-billion agreement on health care with all of Canada's Premiers—an agreement which provides predictable and growing federal funding to bring real change and to make a real difference.

As a result, federal cash transfers to provinces and territories in support of health will rise from \$16.3 billion this year to \$19.6 billion next year. Thereafter, cash transfers will escalate by 6 per cent annually, reaching \$30.5 billion in 2013–14.

We have thus met and surpassed every financial benchmark established by the Romanow Commission on Health Care, and we have fully honoured the health commitments we made to Canadians last summer.

With more federal money than ever before and with agreements to report regularly to citizens on the progress being made, we can all now turn our full attention to making our health care system better through shorter waiting times; more health care professionals and equipment; better primary care and home care; greater research and innovation; and better public health and wellness.

The health care agreement also addresses the unique challenges of delivering health care services in the North and it takes important steps to improve the health status of Aboriginal people.

In addition, last October we also introduced a new framework for provincial Equalization and territorial financing, providing \$33 billion in incremental funding over the coming decade—with more money and more predictability than ever before and with the help of an expert panel to advise on the allocation among provinces.

Together, these two commitments—on health care and Equalization—will provide nearly \$75 billion in new federal funding to provinces and territories over the next 10 years. But they represent only part of what we are committed to do.

## Cities and Communities

Canada's cities and communities are the places where most Canadians live and work, raise their kids, and want to retire in dignity and security. They are engines of growth, employment and innovation, centres of art, culture and learning.

Most significantly, municipalities are the level of government closest to Canadians. They deal with fundamental issues that touch people's daily lives. In light of that, the Prime Minister proposed a New Deal for Cities and Communities, based upon a set of principles: to provide new, reliable, long-term funding; to ensure fairness among regions and among communities of different size; to respect the jurisdiction of provinces, set shared objectives and report results to Canadians.

Last March, in Budget 2004, we took a major step forward by providing municipalities with full relief from the goods and services tax (GST)—a \$7-billion federal investment in local governments over 10 years. But that was only a beginning and we made a commitment to go further. With this budget, we deliver.

Beginning in 2005–06, the Government of Canada will share with municipalities a portion of the revenue from the federal excise tax on gasoline to help fund local environmentally sustainable infrastructure.

Our commitment was to transfer a total of \$5 billion over five years—beginning with a penny per litre or \$400 million in this coming year. We will do better—starting at \$600 million, not just \$400 million—and then rising as promised to 5 cents per litre or \$2 billion in 2009–10, and continuing thereafter indefinitely!

To bring tangible new benefits literally to the front doorstep of each and every Canadian family, we want the new GST rebate and the new gas tax revenues to be truly incremental. Not instead of, but in addition to, what municipal and provincial governments would otherwise be planning to do.

And for our part, federally, we will not look at our new revenue transfers as a substitute for our three existing infrastructure programs. They will be in addition to them.

Accordingly, when our Municipal and Rural, Strategic and Border infrastructure programs are due to expire in the normal course over the next several years, it is our clear intention to renew and extend them into the future. The same is true for our housing initiatives.



This New Deal is also about recognizing the central role of municipalities in our national *life*—ensuring that their voice is heard in our national *policies*. And that is exactly the kind of new relationship this government is building.

Last month, in Regina, I had the privilege of meeting with municipal leaders from across the country as part of my formal pre-budget consultations. They should—and they will—be a permanent part of the federal budget-making process going forward.

## Children

There can be no more important commitments than those we make to our children. A good start in their earliest years can level the playing field, inspire confidence, foster life skills, encourage ambition and make possible greater goals.

Last summer, we made a commitment to work with the provinces and territories to build the foundations for a high-quality, universally inclusive, accessible and developmental Early Learning and Child Care initiative.

With this budget, we are delivering on our commitment

With other important elements like the Canada Child Tax Benefit, the Head Start program and the 2003 Multilateral Framework already in place, I am pleased to confirm that we will provide \$5 billion over five years to introduce a national Early Learning and Child Care initiative. And we understand with our provincial and territorial partners that federal support will need to be ongoing beyond these initial years.

Of this \$5 billion, \$100 million will be devoted to First Nations on reserve to address the unique challenges those communities face.

## Seniors

Just as this country recognizes the importance of investing in its youngest, it also recognizes the enormous debt we owe to our seniors. Theirs was the generation that survived the depression, went to war to protect our liberty, and built the Canada we now know.

To address their evolving needs, this budget makes significant investments across the full range of seniors' programs—from health care to income security, from retirement savings to assistance for their caregivers. The goal is to enhance the quality of life for all seniors, especially those with the most limited means.

It is the Guaranteed Income Supplement (GIS) that provides low-income seniors a fully indexed benefit that ensures a basic level of income throughout their retirement years.

Last summer, we made a commitment to increase GIS payments over the next five years. Today we not only honour that commitment, we will do better.

We will invest \$2.7 billion, and the promised improvements will be fully in place in less than two years, not five. As a result, 1.6 million seniors—the clear majority of whom are women—will benefit. The maximum GIS will go up by more than \$400 per year for a single senior, and by almost \$700 for a couple.

We will also ramp up our support for the highly successful New Horizons program—more than doubling it by 2007–08, to \$25 million per year. And to serve as a focal point for our efforts to address the challenges facing seniors, this budget also provides \$13 million over five years to establish a new National Seniors' Secretariat.

## **Caregivers and People With Disabilities**

Many families across Canada today are struggling to care for elderly parents or for adult children with disabilities. For these families, the hours can be long, the responsibilities large, the demands unrelenting—and the costs significant.

In Budget 2004, we enabled those who provide such care to claim up to \$5,000 of medical and disability-related expenses. With this budget we go further. I am pleased to announce that we will double that amount to \$10,000—starting *this* tax year.

I also want to note the recent report of the Technical Advisory Committee on Tax Measures for Persons with Disabilities. Under the expert leadership of Sherri Torjman of the Caledon Institute of Social Policy and Robert Brown, a former Chair of the Canadian Institute of Chartered Accountants, the Committee has offered solid, thoughtful advice.

I am pleased to announce today that we will act on virtually all of the Committee's recommendations—to help people with disabilities become more self-reliant and to remove barriers to their fuller participation in Canadian life.

For example, the amount of the Child Disability Benefit, starting this year, will be raised from less than \$1,700 to \$2,000. With this and other tax improvements from the Committee's report, federal support for low- and modest-income families with children with disabilities will be five times higher than it was at the beginning of this decade.

## Aboriginals

For too long and in too many ways, Canada's Aboriginal people—our first citizens—have been last in terms of opportunity in this country. The Government of Canada is committed to a new relationship, one based on partnership and respect and rooted in economic self-reliance.

This commitment is being vigorously pursued through the Canada-Aboriginal Peoples Roundtable. Federal ministers, together with Aboriginal leaders and provincial and territorial governments, are exploring ways to make progress in such key areas as health, lifelong learning, housing, economic opportunities, land claim settlements and accountability.

This process, which began with a national gathering of federal and Aboriginal leaders in Ottawa last spring, will culminate in a First Ministers' Meeting in the fall of 2005. We look forward to the results of that meeting to make greater progress in closing the unacceptable gaps between Aboriginal and non-Aboriginal Canadians.

It is probably safe to say, however, that two particular issues will be high on the agenda for more attention in the period ahead.

One is an accelerated and recalibrated healing process, especially for the victims of Indian residential schools, and the other is a transformative thrust toward learning and skills among Aboriginal youth—not detracting from their traditional knowledge or the wisdom of their elders, but building proudly on that heritage with the strength of 21st century education.

To that end, we are extending our support for the Aboriginal Healing Foundation and the National Aboriginal Achievement Foundation as immediate investments in these crucial priorities.

We will also make immediate investments in early learning, in special education, in child and family services on reserves, and in better housing, with a view to stimulating Aboriginal businesses and jobs in the housing sector—all under more effective Aboriginal direction and control.

We will also provide funding for the ongoing work of reshaping Canada's relationship with the Metis community, and for the Prime Minister's promised Inuit Secretariat.



## Enhancing Productivity

A nation's ability to achieve higher levels of prosperity is a function of two ingredients—a steadily growing workforce and steadily improving productivity. In this regard, Canada faces some particular challenges.

Demographically, our population is aging. The baby boomers will soon retire, followed by a much smaller generation of workers and taxpayers. We can no longer rely on automatic labour force growth.

And while our productivity growth has improved, we cannot be complacent—especially given the recent strength of the Canadian dollar.

So here's what lies ahead. We need to focus on a workforce that's as inclusive as possible to mitigate the impact of demographic change. We need to encourage that workforce to be as smart and as skilled as possible—to beat its international competition and to adapt to changing times.

We need to develop and utilize the fruits of science and technology and the most modern machinery and equipment.

We need efficient regulatory systems, high-quality public infrastructure and a competitive tax regime.

These are keys to success in a global economy—the path we must pursue.

With respect to an inclusive workforce, I've already mentioned the vital importance of Aboriginal Canadians—a growing number of young, skilled and confident Aboriginals could make a significant contribution to this nation's future productivity.

Similarly, for both productivity and social reasons, Canada needs to attract and retain skilled immigrants—and ensure they can reach their full potential within our society.

To that end, our last two budgets made significant investments—to support language training and to make progress on the recognition of foreign credentials. And we are investing \$75 million over five years under the health care agreement to accelerate the integration of health care professionals educated abroad.

Over the past three years, Canada has welcomed an average of 220,000 immigrants every year—fully consistent with our policies and commitments in this area. But we recognize that these numbers are putting pressure on immigrant settlement and integration services across the country. To help relieve that pressure, we will invest an additional \$300 million over the next five years.

Workforce inclusion is also helped by a successful Early Learning and Child Care initiative—providing young parents with the confidence that their children are indeed getting the high-quality and developmental care they would want and expect.

With respect to skills, we will provide a further \$125 million over the next three years to advance a more effective Workplace Skills Strategy. And we are increasing support for national literacy initiatives.

To help build the kind of productive economy that will expand opportunity, create good-paying jobs and improve living standards for all, in both urban and rural Canada, we need to continue investing in new ideas and innovation—and in the people who will produce them.

To this end, we have invested more than \$11 billion over the past eight years. This has fostered a world-class research environment in Canada, including universities that are among the best on the planet—with top-notch faculty and the most modern equipment.

We have also invested in commercialization, and we have improved access to the venture capital that is so essential to ensuring that Canadians reap the fruits of Canadian research.

To sustain the important momentum created by our science-based investments, to develop the enabling technologies of tomorrow, and to maintain our lead in publicly funded research among all G-7 countries, this budget provides an additional \$1 billion.

This will include increased funding for our granting councils and for the indirect costs of research at post-secondary institutions.

Part of the productivity solution is also investing in public infrastructure, including in our cities and at crucial border crossings such as Windsor-Detroit—probably the most valuable transborder shipping point in the world—and vital new trading “gateways” like those along our Pacific coast.

Enhancing productivity will also depend on remaining firmly committed to sound financial management, more open internal and external trade, and smarter regulatory systems (including those which govern financial services). The current securities regulatory regime, it is widely agreed, is expensive and cumbersome. This government is committed to working with provinces and territories and the private sector to establish a more streamlined, less fragmented system.

Let me turn now specifically to taxation in the context of greater productivity.

We have cut taxes each and every year since the federal budget was first balanced in 1997. We restored full indexation, lowered rates and increased the amount Canadians can earn tax-free. All told, for a family with two children, earning \$60,000, our tax measures will result in savings in 2005 of close to \$2,000—more than 35 per cent.

I am announcing today a set of new measures that will provide further relief to taxpayers—especially low- and modest-income Canadians, as specifically recommended by this House last fall.

First, to increase the income that Canadians can earn tax-free, starting in 2006, we will progressively raise the basic personal amount to reach \$10,000 by 2009. When fully implemented, this measure will remove from the tax rolls more than 860,000 of Canada's lowest-income taxpayers. This includes almost a quarter of a million seniors.

Second, to help Canadians save more for their retirement, we will increase the limits on registered pension plans and registered retirement savings plans (RRSPs) to \$22,000 by 2009 and 2010 respectively. This will be of particular benefit to entrepreneurs, the self-employed and small business owners.

RRSPs and pension plans are currently subject to a 30-per-cent foreign property limit. To expand the investing universe for Canadians and offer them the potential to achieve greater diversification and a more secure future, we will remove the foreign property limit—effective immediately.

To sustain the growth which drives our economy and enables us to meet the needs of our society, we need to ensure a competitive corporate tax system too—one that will allow us to attract the kind of investment that stimulates growth and creates well-paying jobs for Canadian workers.

Over the past few years, we have given our Canadian businesses a modest but strategic tax rate advantage vis-à-vis the United States. Over that same period, the Canadian private sector generated more than 1 million new jobs. However, recent tax reductions in the U.S. will gradually erode our margin.

To maintain it, this budget proposes to reduce the statutory corporate income tax rate by 2 percentage points—from 21 per cent to 19 per cent by 2010. We also propose to end the corporate surtax, which was introduced in 1987 as a deficit reduction measure. This will help all businesses in Canada, especially small and medium-sized enterprises (SMEs).

We will continue to work with grassroots business organizations—like the Canadian Federation of Independent Business—on how to further improve the productivity environment for Canadian SMEs, including the steadily increasing numbers of women entrepreneurs.



Canadian businesses have also told us that the rates of depreciation in the tax system must be updated to more accurately reflect the useful life of equipment. We agree.

Building on measures in last year's budget, we are announcing further adjustments to the capital cost allowance for certain assets. Appropriate depreciation will encourage companies to invest more, helping the productivity and competitiveness of our economy.

While "useful life" is the standard test used to determine depreciation rates, this budget will introduce an exception—an environmental exception—to the normal rules.

We will encourage companies to invest in more efficient and renewable energy generation equipment. Specifically, we will increase the rate at which capital cost allowance can be claimed for such environmental technologies from 30 per cent to a full 50 per cent for equipment acquired within the next seven years, and we are adding to the list of eligible assets.

## **A Greener, More Sustainable Canada**

This is a small but important example of economic policy serving environmental objectives. And we must do more!

Canadians want us to demonstrate that smart economic policy and smart environmental policy can go hand in hand. They don't want to have to choose one over the other. They want both and they expect their political leaders to deliver—both!

Our great challenge—and our clear responsibility—is to bring the same focus, the same determination and the same dedication to protecting and enhancing our environment as we did to restoring the health of the nation's finances. Canadians don't want a fiscal mortgage hanging over the futures of their children and they don't want an environmental mortgage to be the legacy of this generation to the next.

Climate change is a multi-dimensional challenge. We must, therefore, use the full range of policy instruments at our disposal. This budget does just that.

It introduces new market mechanisms; proposes new tax measures; creates incentives for businesses and consumers; spurs innovation; and introduces regulatory and voluntary measures.

These are the tools available to us, and we will use them all. Building on our successful expenditure review experience, this budget also launches an examination of all existing climate change programs to reassess and redirect funding to the most effective measures.

All told, we are committing a minimum of \$4 billion over five years for action on climate change—not including our commitments to green public infrastructure.

Specifically, we are creating the Clean Fund, which will use the marketplace and competition to pursue the most cost-effective green projects aimed at lowering greenhouse gas emissions.

This fund will invest in high-quality environmental projects, provide a market to promote the domestic trading of emission reduction credits, and serve as a catalyst for technology development and application.

The Clean Fund will have an initial capital base of \$1 billion.

Many climate change projects will be most effectively achieved through project-specific investments by both the federal government and provincial and territorial governments. To facilitate this, we will create a Partnership Fund. Beginning with \$250 million, this fund has the potential to grow to more than \$2 billion over time, depending on the timing of projects and the emission reductions they generate.

The combination of the Clean Fund and the Partnership Fund will make possible “big ticket” projects that can achieve big volume cuts in greenhouse gas emissions. For example, CO<sub>2</sub> capture, collection and storage systems, clean coal technology, the large-scale use of landfill waste for power generation, and better east-west power grid interconnections are just a few promising possibilities.

In terms of tax measures, as I mentioned earlier, we have created a new environmental exception to the depreciation rules, aimed at reducing greenhouse gas emissions by providing a tax preference for cleaner power generation equipment.

And we will continue to look for other ways to use the tax system to advance environmental goals.

As part of our efforts to provide greater incentives for the adoption of green power, we are quadrupling Canada’s Wind Power Production Incentive. This will create enough energy—with zero emissions—to power 1 million Canadian homes.

We are also introducing a new Renewable Power Production Incentive to encourage the use of other renewable energy sources such as small hydro, biomass and landfill gas.

And to provide individual Canadians with incentives to contribute to a greener economy, I am pleased to announce that we will quadruple our EnerGuide program for home retrofits. Our goal is to achieve greater energy savings in some 500,000 more homes across the country.

The fight against climate change provides tremendous opportunities for innovation, to develop new technologies, break new ground, and create new jobs. This budget will provide \$200 million over the next five years for a Sustainable Energy Science and Technology Strategy to ensure that when it comes to environmental technologies, Canada is the birthplace of the next generation of the best ideas and innovation.

To reduce greenhouse gas emissions, we must also use voluntary agreements and, where necessary, regulation in the most effective and appropriate way. Canada *will* finalize arrangements in the transportation sector and among Canada's largest industrial emitters.

Across our vast northern landscape, where energy production and consumption are deeply ingrained in how we exist, all Canadians—government, industry and citizens—need to believe and to demonstrate that energy conservation, efficiency and innovation (including the greater use of renewable and alternative fuels) are fundamental hallmarks of an intelligent 21st century society.

No decree will solve climate change. There are no short-term answers. But to fight it, this government will use every available tool. We will respect our commitments in a way that produces long-term and enduring results while maintaining a strong and growing economy.

But our environmental responsibilities do not stop at climate change. That is why this budget provides a further \$1 billion in new funding for other environmental priorities.

This begins by building strong, environmentally sustainable communities. To that end, I am announcing some further dimensions to our New Deal for Cities and Communities.

First, at least half of the new revenues to be transferred through the gas tax will be dedicated to sustainable infrastructure.

Second, in addition to the gas tax, we are providing \$300 million in new federal support for Green Municipal Funds to enable more local environmental projects to be advanced.



And third, half of that new funding through the Green Municipal Funds will be dedicated to the remediation of brownfield sites.

Beyond our cities and communities, we must also take steps to safeguard the great natural heritage which we have received from our parents and grandparents and which we are determined to preserve for our children.

To that end, this budget will provide support for a number of initiatives. We will launch the first phase of the Oceans Action Plan. We will increase investments in our national parks. We will extend funding of the Great Lakes Action Plan. We will help support the fight against invasive species. And we will bolster the work of the Prairie Farm Rehabilitation Administration as Canada's expert agency in matters related to the environment and agriculture.

## **Canada in the World**

Mr. Speaker, our country was founded on certain values and basic beliefs—a sense of fairness and justice; a spirit of generosity, compassion, tolerance and inclusion; open minds and open hearts. Those values have shaped our character as a nation and defined our position in the world.

Today, a new generation of young Canadians inherits those values and carries them abroad—a generation which takes great pride in being Canadian but which also sees itself as citizens of a wider world—with responsibilities to those beyond our borders. Part of that responsibility is demonstrated in global efforts to improve the environment—but it does not end there.

In an increasingly uncertain world, Canadians know that we must play our part and shoulder our share.

Canada's military has a long and distinguished history of doing just that—responding to international need and promoting international peace. Our responsibility is to make sure that their capabilities match the new demands of a new era. The shape of what that role should be is evolving, with a new National Security Policy released last April and a comprehensive international policy review soon to be presented.

We look forward to the results of that review. In the meantime, we will act in several key areas.

Last summer, we made a commitment to increase Canada's regular defence forces by 5,000 members and its reserves by 3,000—an important first step in implementing any new defence policy.

I am pleased to confirm today that this budget delivers on that commitment. In fact, we will go much further.

On a cash basis, over the coming five years, we will provide nearly \$13 billion in new funding to our Armed Forces—the largest increase in defence spending in the last 20 years:

- funding for both the new troops and the new reserves;
- funding for operational sustainability; and
- funding to acquire new equipment and materiel both before and after policy reviews.

This significant investment in our military means that we will be able to better meet our responsibilities abroad and protect our people at home.

And there is no more fundamental—or important—role for government than protecting its citizens from harm. Over the past three years, our government has invested more than \$8 billion to enhance the safety and security of Canadians.

With this budget we will provide an additional \$1.2 billion for measures relating to air and marine security, border issues, policing, emergency preparedness and response capabilities.

Some events in our world—such as the tsunami—are unpredictable and their impact immediate. Others are longer-term, the problems deeply entrenched, their causes and consequences measured in generations. Poverty is one of these.

The United Nations has set an ambitious agenda of cutting global poverty in half by 2015. To help reach this objective, Canada pledged, in 2002, to double its international assistance within 10 years.

So far, we have been moving in that direction by individual annual increments. Today, I am pleased to confirm a multi-year commitment—consistent with our pledge—of \$3.4 billion in international assistance over the next five years.

Nowhere is the need greater than in Africa. By almost any measure it is a continent in crisis. It faces enormous economic challenges and health problems the scope and scale of which defy comprehension. More than 260,000 people die in Africa of AIDS and malaria—the equivalent of a tsunami—every single month.

Canada took the lead in raising Africa's profile on the world agenda, starting with our hosting of the G-8 Summit in Kananaskis, Alberta, in 2002. Since then, we have continued to be heavily involved. It has been my great honour to represent Canadians on the Commission for Africa, a recent United Kingdom initiative which builds on what Canada began.

To demonstrate our continuing commitment to the people who need our help most, this budget takes specific action on two important fronts.

First, we are providing \$342 million to accelerate the fight against the diseases which are wreaking such havoc in Africa—AIDS, tuberculosis, malaria and polio.

And second, we are renewing Canada's international leadership on the issue of debt relief. Through both multilateral and bilateral initiatives, we have eased the debt loads of poor countries struggling to lift themselves up—most recently in Madagascar, Ethiopia, Ghana and Senegal. In this budget, we set aside \$172 million for a new Canadian debt relief initiative and \$34 million targeted to the world's most heavily indebted countries.

## Conclusion

Mr. Speaker, behind all of the words and numbers in this budget are decisions that reflect directions set and commitments made. And taken together they help shape the course of our national journey.

In the longer sweep of our history, each generation has faced daunting challenges and defining moments. Whether it was the creation of this country in the first place, its union by rail, the fighting of world wars, the great social policies of the post-war era, or the elimination of the deficit in our time, Canadians have always risen to the challenges before them.

Today, we build on what has gone before—and for those who will come after—not by making promises, but by making good on promises. By delivering on commitments.

And by having a sense of the future, of where we want to go and the country we want to build.

A competitive, productive 21st century economy—knowledge-based, technology-driven, highly skilled and excellent by every measure.

An inclusive and caring society in which fairness and equality of opportunity are the measures of our progress.



A clean and green country which prizes a natural heritage of extraordinary richness and preserves it with greatest care.

A confident people, respected and trusted as model citizens of the world.

It is to that vision of our country that this budget is directed and to that cause that this government is committed.









